Interim report for H1 2022

Zealand Pharma Announces Financial Results for the First Half of 2022

Copenhagen, DK and Boston, MA, U.S. August 11, 2022 – Zealand Pharma A/S (Nasdaq: ZEAL) (CVR-no. 20045078) a biotechnology company focused on the discovery and development of innovative peptide-based medicines, today announced financial results for the first half of 2022 and provided a corporate update.

Key strategic objectives achieved

Adam Steensberg, President and Chief Executive at Zealand Pharma said: "Zealand has achieved key objectives in executing the strategy we announced at the end of March to prioritize investment in R&D and seek partnerships for the company's commercial products and late-stage assets. In May, we completed the sale of V-Go® to MannKind. In the second quarter, we strengthened our balance sheet through proceeds from a private placement and by amending an existing financing agreement. Finally, to further streamline our operating efficiency, we announced the decision this week to end a non-liquid ADS program. With our R&D focus, Zealand is now positioned well to leverage the value of our most advanced assets through business development efforts and develop new peptide-based therapies through 2022 and beyond.

"Zealand's R&D pipeline continues to advance in 2022, with our Phase 3 trial readout in CHI completed, our Phase 3 readout in short bowel syndrome approaching, and a portfolio of peptides targeting obesity that is building strong momentum. For our late-stage pipeline, we announced positive results from a Phase 3 trial of dasiglucagon in children with congenital hyperinsulinism, which we anticipate submitting as part of a New Drug Application, or NDA, to the U.S. Food and Drug Administration. At the recent ADA Scientific Sessions, we presented initial Phase 1 data for dapiglutide, our dual GLP-1/GLP-2 agonist, showing encouraging weight-loss in healthy volunteers that supports advancing into Phase 2 in obesity. Looking ahead, we have just achieved last-patient-last-visit for the Phase 3 trial with glepaglutide, our long-acting GLP-2 analogue, with expected top-line results in patients with SBS at the end of this quarter. We also anticipate initial Phase 1 clinical data for our amylin analogue and expect our partner, Boehringer Ingelheim, to present Phase 2 data for the dual GCGR/GLP-1R agonist BI 456906 in patients with type 2 diabetes."

Financial results for the first half of 2022

- **Revenue: DKK 43.5 million / USD 6.1 million** (DKK 42.3 million / USD 6.8 million in the first six months of 2021).
- **Net operating expenses: DKK -502.6 million / USD -70.2 million** (DKK -582.4 million / USD -93.1 million in the first six months of 2021).
- **Net operating result: DKK -539.2 million / USD -75.3 million** (DKK -551.9 million / USD -88.2 million in the first six months of 2021).
- **Net financial items: DKK -61.8 million / USD -8.6 million** (DKK 5.5 million / USD 0.9 million in the first six months of 2021).
- **Net result from Discontinued Operations Related to Restructuring: DKK -97.9 million / USD -13.7 million** (DKK 0.6 million / USD 0.1 million in the first six months of 2021).
- **Cash, cash equivalents, and marketable securities: DKK 864.4 million / USD 120.7 million** as of June 30, 2022 (June 30, 2021: DKK 1,282.9 million / USD 205.0 million).

Highlights in the second quarter 2022

- **Completed sale of V-Go® insulin delivery device to MannKind Corporation.** The Asset Purchase Agreement included an upfront payment of $10 million USD to Zealand and sales-based milestones, as well as sale of certain inventory related to V-Go® and transfer of selected employees.

- **Announced that the Phase 3 trial of dasiglucagon in pediatric patients with congenital hyperinsulinism (CHI) met the primary endpoint with statistical significance.** Dasiglucagon reduced the requirement for intravenous glucose by 55% compared to placebo in children ages 7 days to 12 months enrolled in the trial. An abstract describing these results has been accepted for presentation at a scientific congress in the third quarter. Zealand expects data from this Phase 3 trial, together with data from a previously reported Phase 3 trial in older children with CHI, to form the basis of a new drug application (NDA) with the U.S. Food and Drug Administration (FDA) for dasiglucagon treatment in the management of CHI. The company anticipates a submission in the first quarter of 2023.

- **Received gross proceeds of DKK 274.8 million from a directed issue and private placement.** Zealand issued a total of 2,892,368 new shares at a subscription price of DKK 95 per share.

- **Appointed David M. Kendall, M.D., as Chief Medical Officer.** Dr. Kendall has more than 35 years of experience in diabetes and metabolic disease, with a broad career in research, education, clinical care, and the pharmaceutical industry.

- **Presented data from the Phase 1 trial of dapiglutide at the 82nd American Diabetes Association Scientific Sessions and announced dapiglutide to move into Phase 2 trial for obesity.** The Phase 1 results of dapiglutide, a dual GLP-1R/GLP-2R agonist, demonstrated dose dependent weight loss of up to 4.3% of baseline body weight after only four weeks of treatment. The pharmacokinetic profile was predictable with a half-life suitable for once-weekly dosing.

- **Amended Note Purchase Agreement with Oberland Capital.** Zealand repurchased $50.0 million of note principal with a 1.2x prepayment premium. The agreement includes potential for a further $75 million incremental capital following specific events and removes the liquidity covenant.

Events after the reporting date

- **Announced intention to voluntarily remove its American Depositary Shares (ADSs) from listing on the New York-based Nasdaq Global Select Market.** One ADS currently represents one ordinary share in Zealand and today the company's ADSs account for less than 1.5% of the total share capital. Zealand will consolidate trading to Nasdaq Copenhagen, the company's primary and most liquid stock exchange. The decision is part of Zealand's refocused strategy to prioritize R&D and streamline corporate operations.

Events anticipated in 2022

- **Top-line results from the Phase 3 trial of glepaglutide,** a long-acting GLP-2 analog, in patients with short bowel syndrome (SBS)

- **Scientific congress presentation of results from the Phase 2 trial with BI 456906,** a long-acting dual GCGR/GLP-1R agonist developed in collaboration with Boehringer Ingelheim, in patients with type 2 diabetes

- **Initiation of Phase 1b multiple ascending dose trial of ZP8396,** a long-acting amylin analogue in development for obesity

- **Financial results for the third quarter of 2022** expected on November 10, 2022

Financial guidance for 2022

Net product revenue from the sales of Zegalogue is expected to be DKK 11.5 million +/- 10%. This is a reduction of DKK 7.5 million from our updated guidance issued on May 12, 2022, reflecting the completion of the Asset Purchase Agreement for V-Go with MannKind Corporation. The company will no longer provide guidance on net product revenue associated with sales from that program.

In 2022, Zealand expects revenue from existing license agreements. However, since such revenue is uncertain in terms of size and timing, Zealand does not intend to provide guidance on such revenue.

Net operating expenses in 2022 are expected to be DKK 1,000 million +/-10%. This is unchanged from our updated guidance issued on March 30, 2022 and is a decrease of DKK 200 million from the guidance issued on March 10, 2022.

Conference call today at 4 PM CET / 10 AM ET

Zealand's management will host a conference call today at 4 PM CET / 10 AM ET to present results through the first six months of 2022 followed by a Q&A session. Participating in the call will be Chief Executive Officer Adam Steensberg, Chief Financial Officer Matt Dallas, and Chief Medical Officer David Kendall. The conference call will be conducted in English.

Telephone dial-in information and a unique personal access PIN will be provided upon registration at https://register.vevent.com/register/BI0687000737bf4bdda7d667f72d07be30. A live listen-only audio webcast of the call, including an accompanying slide presentation, will be accessible at https://edge.media-server.com/mmc/p/xmmfib4z. Participants are advised to register for the call or webcast approximately 10 minutes before the start. A recording of the event will be available following the call on the Investor section of Zealand's website at https://www.zealandpharma.com/events-cal.

Total number of shares and voting rights in Zealand Pharma as of June 30, 2022

Number of shares (nominal value of DKK 1 each): 46,526,510 which is an increase of 2,892,368 from 43,643,142 as reported on December 31, 2021.

Therefore, the current Share capital is (nominal value in DKK): 46,526,510

Number of voting rights: 46,526,510

About Zealand Pharma A/S

Zealand Pharma A/S (Nasdaq: ZEAL) ("Zealand") is a biotechnology company focused on the discovery and development of peptide-based medicines. More than 10 drug candidates invented by Zealand have advanced into clinical development, of which two have reached the market and three candidates are in late-stage development. In addition, license collaborations with Boehringer Ingelheim and AstraZeneca create opportunities for more patients to potentially benefit from Zealand-invented peptide investigational agents currently in development.

Zealand was founded in 1998 and is headquartered in Copenhagen, Denmark, with a presence in the U.S. that includes Boston. For more information about Zealand's business and activities, please visit www.zealandpharma.com.

Safe Harbor / Forward-Looking Statements

This press release and interim report contains "forward-looking statements", as that term is defined in the Private Securities Litigation Reform Act of 1995, as amended, that provide Zealand Pharma's expectations or forecasts of future events regarding the research, development and commercialization of pharmaceutical products, the timing of the company's clinical trials and the reporting of data therefrom and the company's Events Anticipated in and Financial Guidance for 2022. These forward-looking statements may be identified by words such as "aim," "anticipate," "believe," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "plan," "possible," "potential," "will," "would" and other words and terms of similar meaning. You should not place undue reliance on these statements, or the scientific data presented. The reader is cautioned not to rely on these forward-looking statements. Such forward-looking statements are subject to risks, uncertainties and inaccurate assumptions, which may cause actual results to differ materially from expectations set forth herein and may cause any or all of such forward-looking statements to be incorrect, and which include, but are not limited to, unexpected costs or delays in clinical trials and other development activities due to adverse safety events or otherwise; unexpected concerns that may arise from additional data, analysis or results obtained during clinical trials; our ability to successfully market both new and existing products; changes in reimbursement rules and governmental laws and related interpretation thereof; government-mandated or market-driven price decreases for our products; introduction of competing products; production problems; unexpected growth in costs and expenses; our ability to effect the strategic reorganization of our businesses in the manner planned; failure to protect and enforce our data, intellectual property and other proprietary rights and uncertainties relating to intellectual property claims and challenges; regulatory authorities may require additional information or further studies, or may reject, fail to approve or may delay approval of our drug candidates or expansion of product labeling; failure to obtain regulatory approvals in other jurisdictions; exposure to product liability and other claims; interest rate and currency exchange rate fluctuations; unexpected contract breaches or terminations; political uncertainty, including due to the ongoing military conflict in Ukraine; and the direct and indirect impacts of the ongoing COVID-19 pandemic on our business, results of operations and financial condition. If any or all of such forward-looking statements prove to be incorrect, our actual results could differ materially and adversely from those anticipated or implied by such statements. The foregoing sets forth many, but not all, of the factors that could cause actual results to differ from our expectations in any forward-looking statement. All such forward-looking statements speak only as of the date of this press release and are based on information available to Zealand Pharma as of the date of this release. We do not undertake to update any of these forward-looking statements to reflect events or circumstances that occur after the date hereof. Information concerning pharmaceuticals (including compounds under development) contained within this material is not intended as advertising or medical advice.

NOTE: DKK/USD Exchange rates used: June 30, 2022 = 7.163 and June 30, 2021 = 6.257

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Refocused Strategy

On March 30th, the company announced a refocused strategy prioritizing research and development programs. As part of this strategy, commercial operations were restructured to pursue partnerships for Zegalogue®, V-Go® and the glepaglutide and dasiglucagon late-stage clinical portfolio. In line with this strategy, the company completed the sale of its V-Go® insulin delivery device to MannKind Corporation in the second quarter. Zealand expects the global cost base will be reduced by approximately 35% from 2021 levels.

Commercialized Product Update

V-Go® insulin delivery device

Second quarter 2022 update:

- Completed sale of V-Go® insulin delivery device to MannKind Corporation

The Asset Purchase Agreement included an upfront payment of $10 million USD to Zealand and sales-based milestones, as well as sale of certain inventory related to V-Go® and transfer of selected employees.

Zegalogue® (dasiglucagon) injection

Second quarter 2022 update:

- Zegalogue® net revenue for the first six months of 2022 was DKK 7.1 million / USD $1.0 million

On March 30, Zealand announced it is seeking partnerships for its commercial products as part of a refocused strategy to prioritize investment in the company's research and development pipeline.

Pipeline Update

Rare Diseases

Glepaglutide (long-acting GLP-2 analog) for short bowel syndrome (SBS)

Second quarter 2022 update:

- Last-Patient-Last-Visit in the Phase 3 EASE-SBS 1 trial of glepaglutide in SBS achieved late July

- Phase 3 data from EASE-SBS 1 expected at the end of the third quarter

Background:
Glepaglutide is a long-acting GLP-2 analog that is stable in aqueous solution and can be administered as a ready-to-use liquid formulation. Zealand is developing glepaglutide as a ready-to-use, fixed dose product for the potential treatment of short bowel syndrome (SBS). The Phase 3 program includes four clinical trials evaluating the potential for glepaglutide to reduce or eliminate the need for parenteral support in patients with SBS.

EASE-SBS 1 is a randomized, double-blind Phase 3 trial to evaluate the safety and efficacy of once- and twice-weekly subcutaneous administration of glepaglutide compared to placebo in up to 108 patients with SBS. The primary endpoint in the trial is the absolute change in weekly parenteral support volume from baseline at 24 weeks. Participants in EASE-SBS 1 may subsequently enroll in the extension trials, EASE-SBS 2 and 3, designed to assess long-term safety and efficacy of glepaglutide.

EASE-SBS 4 is a Phase 3b trial to assess long-term effects of glepaglutide on intestinal fluid and energy uptake. If results from EASE-SBS 1 are positive, the company expects these data to form the basis of a new drug application (NDA) with the U.S. Food and Drug Administration (FDA) together with efficacy and safety data from the full EASE-SBS Phase 3 program. For more information on the EASE-SBS trials, please visit ClinicalTrials.gov (IDs: NCT03690206, NCT03905707, NCT04881825, NCT04991311).

FDA has granted orphan drug designation to glepaglutide for the treatment of SBS. Phase 2 data have shown the potential of glepaglutide to increase intestinal absorption in people with SBS and were published in the journal *The Lancet Gastroenterology & Hepatology* in 2019.

Dasiglucagon for congenital hyperinsulinism (CHI)

Second quarter 2022 update:

- Phase 3 trial of dasiglucagon in neonates up to 12 months old met the primary endpoint demonstrating a significant reduction in the requirement for intravenous glucose by 55% compared to placebo (in children requiring IV glucose support)
- Data accepted for presentation at a scientific congress in the third quarter
- NDA submission to FDA based on data from full Phase 3 program anticipated in the first quarter of 2023

Background:
Dasiglucagon is a glucagon analog that is stable in aqueous solution and is thus suitable for chronic pump use. The Phase 3 program comprises three clinical trials evaluating the potential for chronic dasiglucagon infusion delivered subcutaneously via a pump to prevent hypoglycemia in children with CHI.

The global Phase 3 trial 17103 (ClinicalTrials.gov ID: NCT04172441) evaluated the efficacy of dasiglucagon in reducing glucose requirements in 12 children (ranging in age from 7 days to 12 months) with persistent CHI requiring continuous intravenous glucose administration to prevent or manage hypoglycemia. The trial met the primary endpoint by demonstrating a statistically significant difference between dasiglucagon compared to placebo in mean intravenous glucose infusion rate (IV GIR) measured during the last 12 hours of each treatment period. Baseline IV GIR was 15.7 mg/kg/min. Dasiglucagon treatment reduced the mean GIR to 4.3 mg/kg/min compared with 9.5 mg/kg/min with placebo, a treatment difference of 5.2 mg/kg/min (p=0.0037). Results from this trial have been accepted for presentation at a scientific congress taking place in the third quarter.

The open-label Phase 3 trial 17109 (ClinicalTrials.gov ID: NCT03777176) evaluated the efficacy of dasiglucagon in reducing hypoglycemia in 32 children (ranging in age from 3 months to 12 years) with CHI with more than three hypoglycemic events per week despite previous near-total pancreatectomy and/or maximum medical therapy. Data reported in December 2020 showed that dasiglucagon on top of standard of care (SOC) did not significantly reduce the rate of hypoglycemia compared to SOC alone when assessed by the primary endpoint, intermittent self-measured plasma glucose. However, dasiglucagon treatment resulted in a 40–50% reduction in hypoglycemia compared to SOC alone, when assessed by blinded continuous glucose monitoring.

The Phase 3 trial 17106 (ClinicalTrials.gov ID: NCT03941236) is evaluating the long-term safety of dasiglucagon in 42 of the 44 children older than 1 month with CHI who completed either of the Phase 3 trials 17103 or 17109.

The company expects safety and efficacy data from the full Phase 3 program to form the basis of an NDA submission to the FDA for dasiglucagon treatment in the management of CHI in the first quarter of 2023. The FDA and the European Commission have both granted orphan drug designation to dasiglucagon for the treatment of CHI.

Type 1 Diabetes Management

Dasiglucagon for Bihormonal Artificial Pancreas systems

Second quarter 2022 update:

- Phase 3 clinical program includes three sub-trials with a smaller crossover trial to assess safety and efficacy of the Bihormonal iLet® Bionic Pancreas (iLet Duo™) to inform larger randomized trials

Background:

Zealand is developing a pre-filled dasiglucagon cartridge intended for use in Bihormonal Artificial Pancreas systems, which holds potential to improve the management of type 1 diabetes (T1D). Zealand is collaborating with Beta Bionics, developer of the Bihormonal iLet® Bionic Pancreas (iLet Duo™), a pocket-sized, dual chamber (insulin and glucagon), autonomous, glycemic control system. The iLet Duo™ is an investigational device, limited by federal (or United States) law to investigational use only. The iLet® Bionic Pancreas platform is designed to use adaptive, self-learning, control algorithms, together with continuous glucose monitoring and pump technology, to autonomously compute and administer doses of insulin and/or glucagon and mimic the body's natural ability to maintain tight glycemic control.

Zealand's partner, Beta Bionics, initiated enrollment into the screening protocol for the Phase 3 Bihormonal iLet® Bionic Pancreas Pivotal Program in late 2021. Dosing of the first patients is anticipated to begin in early 2023. The Phase 3 program consists of three planned studies designed to support the marketing applications for the iLet Duo and a new drug application (NDA) for the use of dasiglucagon in Bihormonal Artificial Pancreas systems for the treatment of T1D. The pivotal study plan includes an initial crossover trial of approximately 60 participants to assess safety and efficacy of the bihormonal and insulin-only configurations of the iLet® Bionic Pancreas. Subsequently, the companies plan to initiate full-scale, randomized, controlled pivotal trials in 350 adult and 350 pediatric participants with T1D to assess the efficacy of the iLet Duo™ as compared to the insulin-only system.

Dasiglucagon mini-dose pen

Second quarter 2022 update:

- Phase 2 investigator-initiated trial results presented at 82nd American Diabetes Association (ADA) Scientific Sessions support continued study of low-dose dasiglucagon for management of non-severe hypoglycemia in people with T1D

- Phase 2 investigator-initiated trial in patients with post bariatric hypoglycemia completed with primary endpoint met

Background:

Zealand is developing a dasiglucagon mini-dose pen for the potential treatment of exercise-induced hypoglycemia in people living with T1D and for people who suffer from meal-induced hypoglycemia following gastric bypass surgery (post bariatric hypoglycemia, or PBH). Four investigator-initiated trials conducted in collaboration with Zealand evaluate mini-dose dasiglucagon to support this development program.

At the 82nd ADA Scientific Sessions in June, investigators from the Steno Diabetes Center Copenhagen presented results from the Phase 2 trial using the dasiglucagon mini-dose pen in people with T1D in free-living conditions (ClinicalTrials.gov ID: NCT04764968). Dasiglucagon administered by pen improved glycemic control and reduced carbohydrate intake among the study participants. These data build on prior clinical studies conducted in hospital settings that show the potential for using low doses of dasiglucagon to correct moderate hypoglycemia: Results from the Phase 2a dose-finding trial in people with T1D (ClinicalTrials.gov ID: NCT04449692) were presented at the ADA Scientific Sessions in 2021, and results of the Phase 2a trial in PBH (ClinicalTrials.gov ID: NCT03984370) were published in the journal *Diabetes Care* in 2022.

The Phase 2 trial in PBH conducted in an out-patient setting (ClinicalTrials.gov ID: NCT04836273) has been completed and met the primary endpoint. Zealand is encouraged by the results and anticipates that the investigator will submit data for presentation at a scientific congress in 2022, at which time Zealand expects to provide an update on plans for the program.

Obesity

Dapiglutide (long-acting GLP-1R/GLP-2R dual agonist)

Second quarter 2022 update:

- Positive Phase 1 trial results presented at the 82nd ADA Scientific Sessions supports clinical investigation in obesity with once-weekly dosing

- Phase 2 investigator-initiated trial of dapiglutide in obesity anticipated to commence in early 2023

Background:
Dapiglutide (pINN) is a long-acting dual GLP-1R/GLP-2R agonist for the potential treatment of obesity. Phase 1 results of dapiglutide in healthy volunteers demonstrated dose dependent weight loss of up to 4.3% from baseline body weight after only four weeks of treatment. Dapiglutide also delayed gastric emptying, and reduced plasma glucose and insulin concentrations, in a dose dependent manner. The pharmacokinetics (PK) showed dose proportionality with a low inter-subject variability and a mean half-life of 123-129 hours across the four dose cohorts and supported that dapiglutide is suitable for once-weekly dosing. No trial participants developed anti-drug antibodies. Multiple weekly doses of dapiglutide were well-tolerated and the safety profile was as expected for GLP-1 and GLP-2 receptor agonists.

Zealand intends to support a Phase 2 investigator-initiated clinical trial of dapiglutide in obesity anticipated to commence in early 2023.

ZP8396 (long-acting amylin analogue)

Second quarter 2022 update:

- Preclinical data presented at the 82nd ADA Scientific Sessions supports clinical development of ZP8396 for weight loss and diabetes management and demonstrates potential for co-formulation with other peptides

- Phase 1 trial program ongoing

Background:
ZP8396 is a long-acting amylin analogue designed to improve solubility and allow for co-formulation with other peptides, including GLP-1 analogues. Amylin analogues hold potential as both mono and combination therapies for obesity and type 2 diabetes.

Preclinical data presented at the 82nd ADA Scientific Sessions in June 2022, showed that ZP8396 significantly improved glycemic control in an in vivo model of type 2 diabetes. A second presentation demonstrated that aqueous formulation of ZP8396 at physiological pH induced significant body weight loss in an in vivo model of diet-induced obesity. Prior preclinical observations presented at the Obesity Society Annual Meeting in 2021 showed potent anti-obesity effects of ZP8396, with up to 20% weight loss in in vivo models when combined with GLP-1 analogue semaglutide.

Zealand initiated a Phase 1a, First-in-Human, randomized, single ascending dose trial to assess the safety, tolerability, pharmacokinetics, and pharmacodynamics of ZP8396 in healthy volunteers in November 2021, and expects to initiate a Phase 1b multiple ascending dose trial in 2022.

BI 456906 (long-acting dual GCGR/GLP-1R agonist) in collaboration with Boehringer Ingelheim

Second quarter 2022 update:

- Preclinical data presented at 82nd ADA Scientific Sessions in an in vivo model of diet-induced obesity supports the proposed mechanism of action of dual GCGR/GLP-1R agonism by BI 456906 for inducing weight loss and affirms its current clinical investigations in patients with obesity

- Phase 2 trial results in patients with type 2 diabetes expected in 2022

Background:
BI 456906 is a long-acting dual GCGR/GLP-1R agonist for once-weekly subcutaneous administration that activates two key gut hormone receptors simultaneously and may offer better efficacy than current single-hormone receptor agonist treatments. BI 456906 is targeting treatment of obesity and associated metabolic diseases.

Data presented at the 82nd ADA Scientific Sessions showed that weight loss effects of BI 456906 at pharmacological doses in an in vivo model of diet-induced obesity is a consequence of food intake reduction and increases in energy expenditure, supporting the proposed mechanism of action of dual GCGR/GLP-1R agonism. At Obesity Week in November 2021, results from the Phase 1b trial of BI 456906 (NCT03591718) in people with obesity or who are overweight demonstrated up to 13.7% weight loss and no unexpected safety findings following 16 weeks of dosing.

Boehringer Ingelheim is conducting three parallel Phase 2 trials to assess BI 456906: in diabetes (ClinicalTrials.gov ID: NCT04153929), obesity (ClinicalTrials.gov ID: NCT04667377), and non-alcoholic steatohepatitis, or NASH (ClinicalTrials.gov ID: NCT04771273). The NASH program has received Fast Track Designation from the U.S. FDA.

The Phase 2 trial in people with type 2 diabetes is completed with 410 participants enrolled. Data reporting the dose-relationship of BI 456906 on HbA1c from baseline to 16 weeks relative to placebo have been accepted for presentation at a scientific congress taking place in the third quarter of 2022. Secondary endpoints of the trial assess the effect of BI 456906 on change in body weight, with data anticipated at a scientific congress later in 2022.

Boehringer Ingelheim is funding all research, development and commercialization activities related to BI 456906. Zealand is eligible to receive up to EUR 345 million in outstanding milestone payments, and high-single to low-double digit royalties on global sales.

Inflammation

Zealand is pursuing multiple pre-clinical programs in inflammatory diseases which will be detailed more as they progress through development.

Complement inhibitors (collaboration with Alexion, AstraZeneca Rare Disease)

Zealand and Alexion are collaborating on the discovery and development of novel peptide therapies for complement-mediated diseases. Under the terms of the agreement, Alexion and Zealand entered into an exclusive collaboration for the discovery and development of subcutaneously delivered peptide therapies directed to up to four complement pathway targets. The lead program is a long-acting inhibitor of Complement C3 which has the potential to treat a broad range of complement mediated diseases. Zealand will lead the joint discovery and research efforts through the preclinical stage, and Alexion will lead development efforts beginning with Investigational New Drug (IND) filing and Phase 1 trials.

For the lead target, Zealand is eligible to receive up to USD $610 million in development and sales milestone payments, plus royalties on global sales in the high single to low double digits. In addition, Alexion has the option to select up to three additional targets with Zealand eligible for USD $15 million upfront per target plus development/regulatory milestones for each target selected similar to the lead target with slightly reduced commercial milestones and royalties.

Update regarding Russia and Ukraine

Zealand has reviewed its business operations in light of the geopolitical instability in Europe and concluded that employees, clinical studies, or product supply are either not affected or at material risk at this time

Key figures

DKK thousand

INCOME STATEMENT AND COMPREHENSIVE INCOME	Note	Q2 2022	Q2 2021*	H1 2022	H1 2021*	FY 2021*
Revenue		28,374	36,547	43,451	42,251	113,804
Gross margin		**26,031**	**24,869**	**38,196**	**30,573**	**98,953**
Research and development expenses		-151,626	-149,299	-304,160	-284,357	-587,138
Sales and Marketing expenses		-42,887	-105,846	-77,433	-170,577	-309,321
Administrative expenses		-70,433	-60,577	-121,049	-127,460	-258,270
Net operating expenses		**-264,946**	**-315,722**	**-502,642**	**-582,394**	**-1,154,729**
Other operating items, net		1,715	100	-74,751	-65	-1,414
Operating result		**-237,200**	**-290,753**	**-539,197**	**-551,886**	**-1,057,190**
Net financial items		-194,873	-14,389	-61,839	5,450	25,430
Result before tax		**-432,073**	**-305,142**	**-601,036**	**-546,436**	**-1,031,760**
Income tax	(1)	-358	7,737	-12,435	6,832	9,696
Net result for the period from continuing operations		**-432,431**	**-297,405**	**-613,471**	**-539,604**	**-1,022,064**
Net result for the period from discontinued operations		-56,069	590	-97,874	604	3,915
Net result for the period		**-488,500**	**-296,815**	**-711,345**	**-539,000**	**-1,018,149**
Earnings/loss per share from continuing operations – basic/diluted (DKK)		-9.77	-6.88	-14.03	-12.67	-23.84
Earnings/loss per share – basic/diluted (DKK)		-11.04	-6.87	-16.27	-12.66	-23.75

STATEMENT OF FINANCIAL POSITION	June 30, 2022	June 30, 2021	December 31, 2021
Cash and cash equivalents	553,242	987,777	1,129,103
Marketable securities	311,202	295,155	299,042
Cash, cash equivalents and Marketable securities	**864,444**	**1,282,932**	**1,428,145**
Other assets	392,110	641,242	639,484
Total assets	**1,256,554**	**1,924,173**	**2,067,629**
Share capital	46,527	43,542	43,634
Equity	504,947	1,386,736	927,803
Total liabilities	751,607	537,437	1,139,826

CASH FLOW	H1 2022	H1 2021	FY 2021
Cash (used in)/provided by operating activities	-543,920	-695,703	-1,211,971
Cash (used in)/provided by investing activities	101,399	-4,050	-18,121
Cash (used in)/provided by financing activities	-154,942	715,929	1,332,751
Purchase of property, plant and equipment	-4,759	-3,858	-22,133
Of which cash (used in)/provided by discontinued operations	58,703	-23,101	13,071
Free cash flow (2)	-548,679	-699,561	-1,234,104

OTHER		June 30, 2022	June 30, 2021	December 31, 2021
Share price (DKK)		92.8	185.2	145.1
Market capitalization (MDKK)	(3)	4,058	7,886	6,220
Equity ratio (%)	(4)	40	72	45
Equity per share (DKK)	(5)	11.55	32.57	21.26
Average number of employees		301	344	346
Number of full-time employees at the end of the period		237	360	355

Notes:
* Comparatives adjusted to reflect the effect of discontinued operations. For further refer to note 3.
(1) Zealand expects to be eligible to receive up to DKK 5.5 million in Danish corporate tax benefit related to R&D expenses incurred for 2022, of which DKK 2.8 million has been recognized for the period ended June 30, 2022, which is setoff against recognized tax expense in the US.
(2) Free cash flow is calculated as the sum of cash flows from operating activities and purchase of property, plant and equipment.
(3) Market capitalization is calculated as weighted outstanding shares at the balance sheet date times the share price at the balance sheet date.
(4) Equity ratio is calculated as equity at the balance sheet date divided by total assets at the balance sheet date.
(5) Equity per share is calculated as shareholders' equity divided by weighted total number of ordinary shares less weighted treasury shares.

Financial review

The condensed interim financial statements are prepared in accordance with IAS 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB) and as adopted by the EU, and additional requirements of the Danish Financial Statements Act. The interim condensed consolidated financial statements are presented in DKK, which is also the functional currency of Zealand Pharma A/S ("the Company" or "the Group").

Financial results

Revenue

DKK thousand	H1 2022	H1 2021	Δ	Δ in percent
Sale of goods	7,105	1,235	5,870	475%
License and milestone revenue	36,346	41,016	-4,670	-11%
Revenue from continuing operations	**43,451**	**42,251**	**1,200**	**3%**
Sale of goods from discontinued operations	57,542	89,894	-32,352	-36%
Total revenue	**100,993**	**132,145**	**-31,152**	**-24%**

The Increase in revenue from the sale of goods from continuing operations is attributable to the sales of Zegalogue in 1H 2022. Zegalogue became commercially available in June of 2021 and did not have any product revenue prior to that date.

License and milestone revenue is related to reimbursement from the collaboration with AstraZeneca with a slight decrease in activities for the program in 1H 2022 over the prior year.

Sale of goods from discontinued operations is related to sales of the V-Go insulin delivery device which is accounted for as discontinued operations as a result of the company's restructuring announcement on March 30th, 2022.

Gross margin

DKK thousand	H1 2022	H1 2021	Δ	Δ in percent
Gross margin from continuing operations	38,196	30,573	7,623	25%
Gross margin from discontinued operations	19,393	35,270	-15,877	-45%
Gross margin in total	**57,589**	**65,843**	**-8,254**	**-13%**

The increase in gross margin is due to the sales of Zegalogue in 1H 2022 partially offset by the decrease in license and milestone revenue from the collaboration with AstraZeneca.

Gross margin from discontinued operations is related to sales of the V-Go insulin delivery device which is accounted for as discontinued operations as a result of the company's restructuring announcement on March 30th, 2022.

Research and development expenses

DKK thousand	H1 2022	H1 2021	Δ	Δ in percent
Research and development expenses from continuing operations	304,160	284,357	19,803	7%
Research and development expenses from discontinued operations	6,832	611	6,221	1,018%
Research and development expenses in total	**310,992**	**284,968**	**26,024**	**9%**

The increase in research and development expenses are primarily related to activities with our late-stage clinical programs for dasiglucagon and glepaglutide.

Research and development expense from discontinued operations is related to costs from medical affairs and regulatory efforts allocated to the V-Go insulin delivery device which is accounted for as discontinued operations as a result of the company's restructuring announcement on March 30th, 2022.

Sales and marketing expenses

DKK thousand	H1 2022	H1 2021	Δ	Δ in percent
Sales and marketing expenses from continuing operations	77,433	170,577	-93,144	-55%
Sales and marketing expenses from discontinued operations	59,468	32,286	27,182	84%
Sales and marketing expenses in total	**136,901**	**202,863**	**-65,962**	**-33%**

The decrease in sales and marketing expenses is due to reduced commercial efforts related to Zegalogue following the company's restructuring announcement on March 30th. In the 1H 2021 Zegalogue had significant expenses related to sales and marketing efforts in preparation for the drug launch in June of 2021.

Sales and marketing expenses from discontinued operations are related to the commercial efforts for to the V-Go insulin delivery device which is accounted for as discontinued operations as a result of the company's restructuring announcement on March 30th, 2002.

Administrative expenses

DKK thousand	H1 2022	H1 2021	Δ	Δ in percent
Administrative expenses from continuing operations	121,049	127,460	-6,411	-5%
Administrative expenses from discontinued operations	15,390	1,307	14,083	1,078%
Administrative expenses in total	**136,439**	**128,767**	**7,672**	**6%**

Administrative expenses decreased due to cost reduction efforts included as a part of the companies announced restructuring on March 30th, 2022.

Administrative expenses from discontinued operations comprises administrative costs allocated to serve the Commercial efforts for the V-Go insulin delivery device which is accounted for as discontinued operations as a result of the company's restructuring announcement on March 30th, 2022.

Operating result

DKK thousand	H1 2022	H1 2021	Δ	Δ in percent
Operating result from continuing operations	-539,197	-551,886	12,689	2%
Operating result from discontinued operations	-97,474	1,066	-98,540	-9,244%
Operating result in total	**-636,671**	**-550,820**	**-85,851**	**-16%**

The operating result reflects gross margin, research and development expenses, sales and marketing and administrative expenses, as discussed above. In addition, there was DKK 75.8 million in restructuring expenses reported as other operating items in the first six months of 2022.

The operating result from discontinued operations is related to the gross margin, research and development expenses, sales and marketing and administrative expenses for to the V-Go insulin delivery device which is accounted for as discontinued operations as a result of the company's restructuring announcement on March 30th, 2022.

Net financial items

DKK thousand	H1 2022	H1 2021	Δ	Δ in percent
Net financial items	**-61,839**	**5,450**	**-67,289**	**-1,235%**

Financial income and financial expenses, which we refer to collectively as net financial items, consist of interest income and expense, fair market value adjustments, banking fees and impact from adjustments related to foreign exchange rates.

The increase in net financial items is primarily related to fair value accounting adjustments related to the prepayment option in the loan agreement with Oberland, please refer to note 14 for further information.

Result before tax

DKK thousand	H1 2022	H1 2021	Δ	Δ in percent
Result before tax from continuing operations	-601,036	-546,436	-54,600	-10%
Result before tax from discontinued operations	-97,874	1,066	-98,940	-9,281%
Result before tax in total	**-698,910**	**-545,370**	**-153,540**	**-28%**

Result before tax reflects the operating result and net financial items, as discussed above.

Income tax

DKK thousand	H1 2022	H1 2021	Δ	Δ in percent
Income tax from continuing operations	-12,435	6,832	-19,267	-282%
Income tax from discontinued operations	0	-462	-462	100%
Income tax in total	**-12,435**	**6,370**	**-18,805**	**-295%**

The net income tax (expense) is mainly impacted by an impairment of deferred taxes in US as a result of the company's restructuring announcement on March 30th.

No deferred tax asset has been recognized in the statement of financial position due to uncertainty as to whether tax losses carried forward can be utilized within the near term.

Net result

DKK thousand	H1 2022	H1 2021	Δ	Δ in percent
Net result from continuing operations	-613,471	-539,604	-73,867	-14%
Net result from discontinued operations	-97,874	604	-98,478	-16,304%
Net result	**-711,345**	**-539,000**	**-172,345**	**-32%**

The decrease in the net result is primarily due to the impact of the net financial items incurred in the 1H 2022 as part of the company's restructuring including the amendment for the Oberland agreement signed on May 10th, 2022.

The decrease in net result discontinued operations is related to the V-Go insulin delivery device which is accounted for as discontinued operations as a result of the company's restructuring announcement on March 30th, 2022.

Liquidity and capital resources

Equity

DKK thousand	June 30, 2022	December 31, 2021	Δ	Δ in percent
Equity	**504,947**	**927,803**	**-422,856**	**-46%**
Equity ratio	**40%**	**45%**	**N/A**	**N/A**

Equity ratio is calculated as equity at the balance sheet date divided by total assets at the balance sheet date. The decrease in equity was mainly driven by the loss for the period partly offset by the capital raise in June.

Cash, cash equivalents and Marketable securities

DKK thousand	June 30, 2022	December 31, 2021	Δ	Δ in percent
Cash, cash equivalents and Marketable securities	**864,444**	**1,428,145**	**-563,701**	**-39%**

The decrease in cash, cash equivalents and marketable securities is mainly driven by cash spent in the period and repayment of portion of the loan to Oberland. The impact is partly offset by cash received from capital market financings and receivables related to the company's commercial programs, proceeds from the completed sale of V-Go® insulin delivery device to MannKind Corporation and the positive effect from the development in the USD/DKK exchange rate.

Cash flow

DKK thousand	H1 2022	H1 2021	Δ	Δ in percent
Cash from (used in) operating activities	**-597,463**	**-695,703**	**98,240**	**14%**
Cash from (used in) investing activities	**101,399**	**-4,050**	**105,449**	**2,604%**
Cash from (used in) financing activities	**-154,942**	**715,929**	**-870,871**	**-122%**

The decrease in cash used in operating activities from the same period in 2021 is mainly related to reductions in sales and marketing and administrative expenses as a result of decreased commercial activities and support for Zegalogue and the V-Go wearable insulin delivery device.

Cash from investing activities increased with the consideration received from the deal with MannKind in 1H 2022.

Cash from financing activities decreased from the same period in 2021 due to the financing that took place in January 2021 and the repayment of USD 50m of the Oberland loan in May 2022. These effects are partly offset by the June 2022 capital market financing.

The Company monitors its funding position on a monthly basis to ensure that it has access to sufficient liquidity to meet its forecasted cash requirements. Analyses are run to reflect different scenarios including, but not limited to, cash runway, human capital resources and pipeline priorities in order to identify liquidity risk and enable Management and the Board of Directors to prepare for new financing transaction and/ or take relevant expense management activities to allow the Company to continue as a going concern.

As of the date of these financial statements the Company, with its current strategic plans, anticipates that the current cash position and the cash requirements following the announced restructuring on March 30, 2022 will provide a positive cash runway into the second quarter of 2023. While reviewing the Company's strategic plans and priorities, Management and the Board of Directors are working on extending the cash runway by means of new additional funding for the Company, either through issuance of shares, issuance of debt instruments, establishment of royalty arrangements, divestments, expense management activities or a combination of such, and on this basis believes it is probable that sufficient resources will be obtained in due time to enable the Company to continue its activities as planned at least through June 30, 2023. On this basis Management has prepared the condensed consolidated interim financial statements based on a going concern assumption.

Since such new source of funding is not obtained of the date of these financial statements, substantial doubt regarding going concern exist, and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Risk factors

This interim report contains forward-looking statements, including forecasts of future expenses as well as expected business-related events. Such statements are subject to risks and uncertainties as various factors, some of which are beyond the control of Zealand, may cause actual results and performance to differ materially from the forecasts made in this interim report. Without being exhaustive, such factors include e.g. the impact of the global COVID-19 pandemic, interest rate and currency exchange rate fluctuations, larger scale uncertainty about the state of the global economy and the possibility of a global slowdown in economic growth, the effects of potentially increasing inflation on the performance of the equity markets that will make raising capital more difficult, the ongoing conflict in Ukraine, delay or failure of clinical trials and other development activities, production problems, unexpected contract breaches or terminations, government-mandated or market-driven price decreases for Zealand's products, introduction of competing products, Zealand's ability to successfully market both new and existing products, exposure to product liability and other lawsuits, changes in reimbursement rules and governmental laws and related interpretation thereof, unexpected growth in costs and expenses, and Zealand's ability to integrate businesses in varying geographies with different commercial and operating characteristics. In particular, the global COVID-19 pandemic could potentially materially adversely impact our business and financial performance, including the timing of our clinical trials, projected regulatory approval timelines, our supply chain and sales of our approved products, as well as our Financial Guidance for 2022 in this interim report, particularly because the COVID-19 pandemic continues to evolve, and its breadth and significance on our business and financial performance is uncertain. In addition, Zealand's classification as a going concern may hamper the ability to raise additional capital or may mean that it will have to take additional cost saving measures that may cause further delays in the progress of its pre-clinical and clinical programs beyond the internal or publicized projected dates. A more extensive description of risk factors can be found in the 2021 Annual Report under the section Risk management and internal control.

Management's statement on the interim report

The Board of Directors and the Management have considered and adopted the interim report of Zealand Pharma A/S for the three- and six-months periods ended June 30, 2022.

The condensed consolidated interim financial statements are prepared in accordance with IAS 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB) and as adopted by the EU, and additional requirements of the Danish Financial Statements Act. In our opinion, the condensed consolidated interim financial statements give a true and fair view of the Group's assets, equity and liabilities and financial position as of June 30, 2022 as well as of the results of the Group's operations and cash flow for the period January 1 - June 30, 2022.

Moreover, in our opinion, the Management's Review gives a true and fair view of the development in the Company's operations and financial conditions, of the net result for the periods and the financial position while also describing the most significant risks and uncertainty factors that may affect the Group.

Copenhagen, August 11, 2022

Management

Adam Sinding Steensberg
President and
Chief Executive Officer

Matthew Dallas
Senior Vice President and
Chief Financial Officer

Board of Directors

Alf Gunnar Martin Nicklasson
Chairman

Kirsten Aarup Drejer
Vice Chairman

Jeffrey Berkowitz
Board member

Bernadette Mary Connaughton
Board member

Leonard Kruimer
Board member

Alain Munoz
Board member

Michael John Owen
Board member

Anneline Nansen
Board member
Employee elected

Iben Louise Gjelstrup
Board member
Employee elected

Jens Peter Stenvang
Board member
Employee elected

Nikolaj Frederik Beck
Board member
Employee elected

Independent auditor’s report

To the shareholders of Zealand Pharma A/S

We have reviewed the interim condensed consolidated financial statements of Zealand Pharma A/S for the three and six-month periods ended June 30, 2022, which comprise a condensed consolidated income statement and statement of comprehensive income for the three and six-month periods ended June 30, 2022, statement of financial position as at June 30, 2022, and statement of changes in equity and statement of cash flow for the six-month period ended June 30, 2022, and notes, including accounting policies. The interim condensed consolidated financial statements are prepared in accordance with IAS 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB) and as adopted by the EU, and additional requirements of the Danish Financial Statements Act.

Management's responsibilities for the interim condensed consolidated financial statements

Management is responsible for the preparation of interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB) and as adopted by the EU, and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on the interim condensed consolidated financial statements. We conducted our review in accordance with the International Standard on Review of Interim Financial Information Performed by the Independent Auditor of the Entity and additional requirements applicable in Denmark.

This requires us to conclude whether anything has come to our attention that causes us to believe that the interim condensed consolidated financial statements, taken as a whole, are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB) and as adopted by the EU, and additional requirements of the Danish Financial Statements Act. This standard also requires us to comply with ethical requirements.

A review of the interim condensed consolidated financial statements in accordance with the International Standard on Review of Interim Financial Information Performed by the Independent Auditor of the Entity is a limited assurance engagement. The auditor performs procedures primarily consisting of making enquiries of Management and others within the company, as appropriate, applying analytical procedures and evaluate the evidence obtained.

The procedures performed in a review are substantially less that those performed in an audit conducted in accordance with the International Standards on Auditing. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with *IAS 34 Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB) and as adopted by the EU, and additional requirements of the Danish Financial Statements Act.

Emphasis of matter in the interim condensed consolidated financial statements

The interim condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the interim condensed consolidated financial statements, the Company, with its current strategic plans, will have sufficient cash to finance its operations into the second quarter of 2023, and therefore, management is working on extending the cash runway. As these plans have not yet materialized, substantial doubt exists about the Company’s ability to continue as a going concern. Management's evaluation of the events and conditions and management’s plans regarding these matters are described in Note 2. The interim condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. We have not modified our opinion in respect of this matter.

Copenhagen, August 11, 2022

EY
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Christian Schwenn Johansen
State Authorized Public Accountant
mne33234

Rasmus Bloch Jespersen
State Authorized Public Accountant
mne35503

Interim condensed consolidated financial statements

Interim condensed consolidated income statement for the three and six-months periods ended June 30, 2022 and 2021.

		Reviewed			
DKK thousand	**Note**	**Q2 2022**	**Q2 2021**	**H1 2022**	**H1 2021**
Revenue	4	28,374	36,547	43,451	42,251
Cost of goods sold		-2,343	-638	-5,255	-638
Royalty expenses		0	-11,040	0	-11,040
Gross margin		**26,031**	**24,869**	**38,196**	**30,573**
Research and development expenses		-151,626	-149,299	-304,160	-284,357
Sales and marketing expenses		-42,887	-105,846	-77,433	-170,577
Administrative expenses		-70,433	-60,577	-121,049	-127,460
Total Operating expenses		**-264,946**	**-315,722**	**-502,642**	**-582,394**
Other operating income	5	1,738	234	1,849	488
Other operating expenses	5	-23	-134	-76,600	-553
Operating result		**-237,200**	**-290,753**	**-539,197**	**-551,886**
Financial income	6	-41,614	0	111,891	11,511
Financial expenses	6	-153,259	-14,389	-173,730	-6,061
Result before tax		**-432,073**	**-305,142**	**-601,036**	**-546,436**
Income tax	7	-358	7,737	-12,435	6,832
Net result for the period from continuing operations		**-432,431**	**-297,405**	**-613,471**	**-539,604**
Net result for the period from discontinued operations	3	**-56,069**	**590**	-97,874	**604**
Net result for the period		**-488,500**	**-296,815**	**-711,345**	**-539,000**
Earnings/loss per share from continuing operations – basic/diluted (DKK)	8	-9.77	-6.88	-14.03	-12.67
Earnings/loss per share from discontinuing operations – basic/diluted (DKK)	8	-1.27	0.01	-2.24	0.01
Earnings/loss per share – basic/diluted (DKK)	8	-11.04	-6.87	-16.27	-12.66

Interim condensed consolidated statement of comprehensive income (loss) for the three and six-month periods ended June 30, 2022 and 2021.

		Reviewed			
DKK thousand	**Note**	**Q2 2022**	**Q2 2021**	**H1 2022**	**H1 2021**
Net result for the period		-488,500	-269,815	-711,345	-539,000
Exchange differences on translation of foreign operations		2,861	-346	4,887	2,103
Comprehensive result for the period		**-485,639**	**-297,161**	**-706,458**	**-536,897**

Interim condensed consolidated statements of cash flow for the six-months periods ended June 30, 2022 and 2021.

		Reviewed	
DKK thousand	**Note**	**H1 2022**	**H1 2021**
Net result for the period		-711,345	-539,000
Adjustments for other non-cash items		143,029	-92,581
Change in working capital		77,929	-5,845
Interests received		1,226	0
Interest paid		-17,713	-3,190
Deferred revenue	4	-36,346	-10,347
Income tax paid/received		-700	-44,740
Cash used in operating activities		**-543,920**	**-695,703**
Change in deposits		-240	-192
Purchase of marketable securities		-672,449	0
Proceeds from marketable securities		673,995	0
Divestment of V-GO	3	104,852	0
Purchase of property, plant and equipment		-4,759	-3,858
Cash used in investing activities		**101,399**	**-4,050**
Repayment of bank debt	14	-417,340	0
Proceeds from issuance of shares related to exercise of share-based compensation		0	16,461
Proceeds from issuance of shares		274,776	748,975
Costs related to issuance of shares		-8,153	-46,624
Leasing liabilities		-4,225	-2,883
Cash from financing activities		**-154,942**	**715,929**
Decrease/increase in cash and cash equivalents		**-597,463**	**16,176**
Cash and cash equivalents at beginning of period		1,129,103	960,221
Exchange rate adjustments		21,602	11,380
Cash and cash equivalents at end of period		**553,242**	**987,777**

Interim condensed consolidated statements of financial position as of June 30, 2022 and December 31, 2021

DKK thousand	Note	Reviewed June 30, 2022	Audited December 31, 2021
ASSETS			
Non-current assets			
Intangible assets	3	2,531	53,790
Property, plant and equipment	3	64,868	86,454
Right-of-use assets	3	120,913	134,994
Other investments	9	31,786	26,907
Deposits	3	11,420	12,638
Corporate tax receivable	7	2,750	1,268
Deferred tax assets	7	0	13,525
Prepaid expenses		14,779	16,457
Other financial assets	9	6,779	0
Total non-current assets		**255,826**	**346,033**
Current assets			
Inventories	3, 11	818	118,436
Trade receivables		45,032	73,025
Prepaid expenses		52,742	64,626
Corporate tax receivable	7	24,327	21,562
Other receivables		13,365	15,802
Marketable securities	9	311,202	299,042
Cash and cash equivalents		553,242	1,129,103
Total current assets		**1,000,728**	**1,721,596**
Total assets		**1,256,554**	**2,067,629**

Interim condensed consolidated statements of financial position as of June 30, 2022 and December 31, 2021

DKK thousand	Note	Reviewed June 30, 2022	Audited December 31, 2021
EQUITY AND LIABILITIES			
Share capital	12	46,527	43,634
Translation reserve		19,042	14,155
Retained earnings		439,378	870,014
Equity		**504,947**	**927,803**
Borrowings	14	358,035	647,906
Deferred revenue		0	14,551
Other liabilities		18,426	18,426
Lease liabilities	3	113,563	124,626
Non-current liabilities		**490,024**	**805,509**
Trade payables		34,833	64,558
Lease liabilities	3	13,826	14,897
Deferred revenue		31,238	53,033
Restructuring provision	15	11,440	0
Rebate and product return liabilities		20,529	28,695
Other liabilities		149,717	173,134
Current liabilities		**261,583**	**334,317**
Total liabilities		**751,607**	**1,139,826**
Total shareholders' equity and liabilities		**1,256,554**	**2,067,629**

Interim condensed consolidated statements of changes in equity for the six-months periods ended June 30, 2022 and 2021

	Reviewed			
DKK thousand	**Share capital**	**Translation reserve**	**Retained* earnings**	**Total**
Equity at January 1, 2021	**39,800**	**8,977**	**1,180,534**	**1,229,311**
Other comprehensive income for the period	0	2,103	0	2,103
Net result for the period	0	0	-539,000	-539,000
Share-based compensation	0	0	20,835	20,835
Acquisition of treasury shares	0	0	-45,325	-45,325
Capital increase	3,742	0	761,694	765,436
Costs related to capital increases	0	0	-46,624	-46,624
Equity at June 30, 2021	**43,542**	**11,080**	**1,332,114**	**1,386,736**
Equity at January 1, 2022	**43,634**	**14,155**	**870,014**	**927,803**
Other comprehensive income for the period	0	4,887	0	4,887
Net result for the period	0	0	-711,345	-711,345
Share-based compensation	0	0	16,979	16,979
Capital increase	2,893	0	271,883	274,776
Costs related to capital increase	0	0	-8,153	-8,153
Equity at June 30, 2022	**46,527**	**19,042**	**439,378**	**504,947**

*Columns Treasury shares, Share premium and Retained losses from the Company's annual financial statements for the year ended December 31, 2021 have been merged into the column Retained earnings to ease accessibility of information.

For the period January 1, 2021 – June 30, 2021 the following amounts have been transferred (DKK thousand):

From Share premium to Retained earnings: Equity at January 1, 2021 (3,470,787), Share-based compensation (20,835), Treasury shares (-45,325), Capital increase (761,694) and costs related to capital increase (-46,624). In total/Equity at June 30, 2021: 4,161,367.

Note 1 - Basis of preparation and changes to the Group's accounting policies

Basis of preparation

The interim condensed consolidated financial statements of Zealand Pharma A/S (The Group) have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB) and as adopted by EU and additional requirements of the Danish Financial Statements Act. The interim condensed consolidated financial statements are presented in Danish kroner (DKK) which is also the functional currency of the parent company.

The accounting policies used in the interim condensed consolidated financial statements are consistent with those used in the Company's annual financial statement for the year ended December 31, 2021 except for non-current assets (or disposal groups) held for sale and discontinued operations and provision for restructuring costs, which are relevant account policies for the current interim period.

Non-current assets (or disposal groups) held for sale and discontinued operations.

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the noncurrent asset (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss. Comparatives in the statement of profit and loss for previous periods are restated to reflect the result of discontinued operations.

Provision for restructuring costs

Provision for restructuring obligations is recognized when an event creates a legal or constructive obligation that results in the Company having no realistic alternative to settling that obligation, that can derive from a contract, legislation or other operation of law. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

The restructuring provision comprises short-term employee benefits that are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

New standards, interpretations and amendments adopted by the Group

IASB has issued a number of new and amended standards which are not yet effective. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Significant accounting estimates and judgements

The preparation of the interim condensed consolidated financial statements requires Management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. In applying our accounting policies, Management is required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates used are based on assumptions assessed to be reasonable by Management. However, estimates are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may occur. Furthermore, we are subject to risks and uncertainties that may result in deviations in actual results compared with estimates.

Judgements and estimates applied

Discontinued operation and disposal group held for sale

Management has determined that the V-Go activities are one cash-generating unit (CGU) based on independent cash inflows and that the V-Go activity met all the criteria for classification as a discontinued operation as of March 30, 2022. Accordingly, the

activity has been classified as a discontinued operation in the interim income statement for all periods presented. The activities and assets and liabilities associated with V-Go was divested in Q2. Reference is made to note 3 for further information.

Furthermore, management has evaluated whether the Zegalogue activities have also met the criteria for classification as discontinued operations and disposal group held for sale as of June 30, 2022. Management have determined that the criteria in IFRS 5 have not been fulfilled as no final decision on how Zealand will continue the Zegalogue activity has been taken as of June 30, 2022.

Going concern

Management has identified substantial doubt regarding that the groups interim condensed consolidated financial statements can be prepared under the assumption of going concern. Reference is made to note 2 for further information.

Valuation of Zegalogue inventory

Following the March 30, 2022 restructuring announcement management elected to write off all Zegalogue inventory, except what was forecasted to be sold in 2022, due to the uncertainties about the future sales channels for the product. No changes have been made to this assessment as the uncertainties still remains as of June 30, 2022. Please refer to note 11 for further information.

Valuation of US deferred tax assets

On March 30, 2022 the group announced intentions to exit US sales activities and thus reduce US operations significantly and in Q2 V-Go was divested leading to US being projected for a negative taxable income for 2022. As a result, management has decided to reevaluate the groups US deferred tax assets and measure them at zero due to the uncertainties around when the deferred tax assets can be utilized. Please refer to note 7 for further information.

Restructuring provisions

Following the March 30, 2022 restructuring announcement where the group disclosed intentions to exit US sales activities and thus reduce US operations significantly, the Company has made severance agreement with the affected employees to reduce the operations in US and DK. The restructuring provision recognized is based on the terms and conditions of these agreements accepted by the employees. Management has assessed that the measurement is not associated with significant accounting judgement. Reference is made to note 15 for further information.

For further information regarding significant accounting estimates and judgments see note 1 in the Annual Report for 2021.

Note 2 – Going concern uncertainties

The Company monitors its funding position on a monthly basis to ensure that it has access to sufficient liquidity to meet its forecasted cash requirements. Analyses are run to reflect different scenarios including, but not limited to, cash runway, human capital resources and pipeline priorities in order to identify liquidity risk and enable Management and the Board of Directors to prepare for new financing transaction and/ or take relevant expense management activities to allow the Company to continue as a going concern.

As of the date of these condensed consolidated interim financial statements the Company, with its current strategic plans, anticipates that the current cash position and the cash requirements following the announced restructuring on March 30, 2022 will provide a positive cash runway into the second quarter of 2023. While reviewing the Company's strategic plans and priorities, Management and the Board of Directors are working on extending the cash runway by means of new additional funding for the Company, either through issuance of shares, issuance of debt instruments, establishment of royalty arrangements, divestments, expense management activities or a combination of such, and on this basis believes it is probable that sufficient resources will be obtained to enable the Company to continue its activities as planned at least through June 30, 2023. On this basis Management has prepared the financial statements based on a going concern assumption.

Since such new source of funding is not obtained of the date of these financial statements, substantial doubt regarding going concern exist, and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Note 3 – Discontinued operations

On March 30, 2022 the group announced its intension to exit the US sales activities including the V-Go activity. As a consequence hereof the group initiated an active program to locate a buyer for its V-Go activities. The program was completed successfully with the divestment of V-Go activities to MannKind Corporation, which was closed on May 29, 2022. Management has determined that the V-Go activity as per March 30, 2022 met the criteria to be classified as a disposal group held for sale and as a discontinued operation. Therefore, the result of the V-Go activities, including the effects of the divestment, are presented separately in the interim income statement.

The results and the cash flow of the V-Go activities are presented below as a discontinued operation for the interim period ended June 30, 2022 and June 30, 2021:

DKK thousand	Q2 2022	Q2 2021	H1 2022	H1 2021
Revenue	21,832	47,779	57,542	89,894
Cost of goods sold	-16,580	-30,882	-38,149	-54,624
Gross margin	**5,252**	**16,897**	**19,393**	**35,270**
Research and development expenses	-1,564	-361	-6,832	-611
Sales and marketing expenses	-18,788	-15,086	-59,468	-32,286
Administrative expenses	-5,793	-616	-15,390	-1,307
Total Operating expenses	**-26,145**	**-16,063**	**-81,690**	**-34,204**
Other operating expenses	-35,577	0	-35,577	0
Result before tax	**-56,470**	**834**	**-97,874**	**1,066**
Income tax	401	-244	0	-462
Net result from discontinued operations	**-56,069**	**590**	**-97,874**	**604**

DKK thousand	H1 2022	H1 2021
Cash flows from discontinued operations		
Net cash inflow (outflow) from operating activities	-51,343	-21,114
Net cash inflow (outflow) from investing activities	111,276	-899
Net cash (outflow) from financing activities	-1,230	-1,088
Net cash increase (decrease) generated from the discontinued operation	**58,703**	**-23,101**

All assets and liabilities included in the V-Go disposal group was derecognized as of May 29, 2022 with the closure of the asset purchase agreement with MannKind. As a result, no assets or liabilities are classified as held for sale in relation to the discontinued operation as of June 30, 2022.

The derecognized assets and liabilities, recognized consideration and net impact on profit and loss from the divestment of V-Go are presented below:

DKK thousand	May 29, 2022
Assets included in disposal group	
Intangible assets	52,082
Property, plant and equipment	20,586
Right-of-use assets	8,128
Deposits and prepayments	1,871
Inventories	79,872
Total assets of disposal group	**162,539**
Liabilities directly associated with assets included in disposal group	
Lease liabilities	8,837
Total liabilities of disposal group	**8,837**
Net assets of disposal group	**153,702**
Consideration:	
Cash consideration	111,553*
Other financial assets	6,573
Total consideration	**118,126**
Net loss - recognized as other operating expenses from discontinued operations	**-35.576**

*As of June 30, 2022 DKK 104.9 million of the cash consideration was received. The remaining DKK 6.6 million is included in a settlement account that will be settled upon completion of transition period.

Note 4 - Revenue

Revenue can be specified as follows:

DKK thousand	Q2 2022	Q2 2021	H1 2022	H1 2021
Alexion Pharmaceuticals Inc.	25,390	4,644	36,346	10,347
Sanofi-Aventis Deutschland GmbH	0	30,669	0	30,669
Total license and milestone revenue	**25,390**	**35,313**	**36,346**	**41,016**
Total sale of goods revenue net	24,816	49,014	64,647	91,129
- Hereof related to discontinued operations	-21,832	-47,779	-57,542	-89,894
Sale of goods revenue net from continuing operations	**2,984**	**1,235**	**7,105**	**1,235**
Total revenue from continuing operations	**28,374**	**36,548**	**43,451**	**42,251**
Total revenue recognized over time	25,390	4,644	36,346	10,347
Total revenue recognized at a point in time	2,984	31,904	7,105	31,904

License revenue for the first six months of 2022 and 2021 is related to the research and development agreement with Alexion Pharmaceuticals entered into in March 2019. Under the agreement DKK 31.2 million is accounted for as deferred revenue as of June 30, 2022. Revenue related to Sanofi from 2021 was a milestone payment. No milestones from Sanofi is expected to be reached in 2022.

Sale of goods revenue for the first six months of 2022 of DKK 57.5 million related to V-Go and DKK 7.1 million related to Zegalogue. Following the March 30, 2022 restructuring announcement V-Go sales are accounted for as discontinued operations please refer to note 3 for further information. The net sales of goods comprise of gross sales of DKK 134.7 million and discounts and rebates of DKK -70.0 million (DKK 175.8 million and DKK -84.7 million respectively for the six months ended June 30, 2021).

Zealand is managed and operated as one business unit, which is reflected in the organizational structure and internal reporting. Beside from the V-Go activities which is presented separately as discontinued operations and disposal group held for sale, no separate lines of business or separate business entities have been identified with respect to any of the product candidates or geographical markets and no segment information is currently included in the internal reporting.

Note 5 – Other operating items

Recognized other operating income and expenses can be specified as follows:

DKK thousand	Q2 2022	Q2 2021	H1 2022	H1 2021
Proceeds from insurance claims	1,849	0	1,849	0
Government grants	-135	234	-22	488
Restructuring costs	0	0	-75,836	0
Loss on sale of fixed assets	0	-134	-742	-553
Other operating items in total	**1,715**	**100**	**-74,751**	**-65**
Presentation in financial statement:				
Other operating income	**1,738**	**234**	**1,849**	**488**
Other operating expenses	**-23**	**-134**	**-76,600**	**-553**

Restructuring costs comprises severance costs (DKK -44.1 million), reversal of costs related to forfeited share-based incentive programs (DKK 13.9 million) and an allowance for loss on Zegalogue inventories (DKK -45.6 million) incurred as a result of the March 30, 2022 company announcement.

Note 6 – Financial items

Recognized financial items can be specified as follows:

DKK thousand	Q2 2022	Q2 2021	H1 2022	H1 2021
Interest income	1,684	0	1,684	0
Interest expenses and banking fees	-7,518	-1,109	-26,355	-3,881
Loss on settlement of debts	-144,729	0	-144,729	0
Fair value adjustments of other investments	0	0	2,259	0
Fair value adjustments of prepayment option	-71,050	0	71,050	0
Fair value adjustment of marketable securities	-1,013	-2,180	-2,646	-2,180
Currency exchange adjustments	27,753	-11,100	36,898	11,511
Financial items in total	**-194,873**	**-14,389**	**-61,839**	**5,450**
Presentation in financial statement:				
Financial income	**-41,614**	**0**	**111,891**	**11,511**
Financial expenses	**-153,259**	**-14,389**	**-173,730**	**-6,061**

Fair value adjustments of prepayment option relate to the prepayment option included in the loan agreement with Oberland. As of December 31, 2021, it was assessed that the fair value of the option was immaterial under the circumstances present at the time. Following the March 30th, 2022 restructuring announcement where Zealand announced their intention to scale back their commercial efforts, it became clear that Zealand would not be able to comply with the revenue covenants from the contract, which was a prerequisite to release the proceeds from the loan for use. As of March 31, 2022 the prepayment option was valued at a fair value of DKK 142.1 million which was recognized as a financial income. During Q2 the prepayment option was partially utilized and the remaining loan amount was released from any covenants. As a consequence, the fair value of the prepayment option is assessed to be immaterial as of June 30, 2022.

Loss on settlement of debts both relates to the utilization of the prepayment option from the loan agreement with Oberland and comprise the partial utilization of the prepayment option, the premium paid and the capitalized loan costs which have been fully expensed. Reference is made to note 14 for further information.

Note 7 – Income tax

The recognized tax expense for the first six months of 2022 primarily relates to revaluation of the deferred tax assets related to US. Following the March 30, 2022 restructuring announcement the group expects reduced activities in the US going forward. As a result, the value of the groups tax asset related to US activities have been remeasured leading to an impairment of the tax asset of DKK 14.6 million.

The tax amount recognized in 2022 also includes tax income of DKK 2.7 million relating to corporate tax benefit in Denmark, and a tax income of DKK 0.9 million related to prior year taxes in Denmark.

As of June 30, 2022 no deferred tax assets are recognized for the group due to uncertainties about when the assets can be utilized.

Receivable taxes relate to receivable tax benefits in Denmark and prepaid taxes in US.

Note 8 - Earnings/Loss per share

The earnings/loss and weighted average number of ordinary shares used in the calculation of basic and diluted earnings/loss per share are as follows:

DKK thousand	Q2 2022	Q2 2021	H1 2022	H1 2021
Net earnings/loss used in the calculation of basic/diluted earnings per share from continuing operations	-432,431	-297,405	-613,471	-539,604
Net earnings/loss used in the calculation of basic/diluted earnings per share from discontinuing operations	-56,069	590	-97,874	604
Total net earnings/loss	-488,500	-296,815	-711,345	-539,000
Weighted average number of ordinary shares	44,555,886	43,468,381	44,097,560	42,799,872
Weighted average number of treasury shares	-316,023	-264,552	-366,837	-234,554
Weighted average number of ordinary shares used in the calculation of basic/diluted loss per share	**44,239,862**	**43,203,829**	**43,730,723**	**42,565,317**
Earnings/loss per share from continuing operations – basic/diluted (DKK)	**-9.77**	**-6.88**	**-14.03**	**-12,67**
Earnings/loss per share from discontinued operations – basic/diluted	**-1.27**	**0.01**	**-2.24**	**0.01**
Total earnings/loss per share – basic/diluted	**-11.04**	**-6.87**	**-16.27**	**-12,66**

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings/loss per share:

	June 30, 2022	June 30, 2021
Outstanding warrants under the 2015 Employee incentive program	1,078,479	1,616,077
Outstanding warrants under the 2020 Employee incentive program	56,877	63,217
Outstanding Performance Share Units (PSUs) under the LTIP 2019 program	0	19,765
Outstanding Restricted Share Units (RSUs) under the LTIP 2020 program	11,027	27,466
Outstanding Performance Share Units (PSUs) under the LTIP 2021 program	106,011	282,852
Outstanding Restricted Share Units (RSUs) under the LTIP 2021 program	176,720	444,949
Outstanding warrants under the LTIP 2022 program	858,382	0
Outstanding Performance Share Units (PSUs) under the LTIP 2022 program	266,223	0
Outstanding Restricted Share Units (RSUs) under the LTIP 2022 program	139,920	0
Total outstanding warrants/PSUs/RSUs	**2,693,639**	**2,454,326**

Total number of outstanding warrants, PSUs and RSUs for long-term incentive programs currently unexercised or under vesting have been negatively impacted by 401,696 from the termination of employees end of March 2022 in connection with the restructuring.

Note 9 - Financial instruments

As of June 30, 2022, and December 31, 2021, the following financial instruments are measured at fair value through profit or loss:

DKK thousand	June 30, 2022	December 31, 2021
Marketable securities (Level 1)	126,285	299,042
Marketable securities (Level 2)	184,916	0
Other investments (Level 3)	31,786	26,907
Other financial assets (Level 3)	6,779	0
Financial assets measured at fair value	**349,767**	**325,949**

The fair value of marketable securities is measured using inputs categorized as Level 1 and 2 in the fair value hierarchy, whereas the other investments and other financial assets is based on inputs categorized as Level 3 in the fair value hierarchy. No transfers occurred between the levels of the fair value hierarchy in the six months to 30 June 2022.

Marketable securities consist of investments in debt instruments (corporate bonds and asset-backed securities) and equity instruments (commercial papers and money market funds). For securities categorized as Level 2, the valuation is mainly based on observable terms (e.g. maturity, interest rate, credit rating etc.).

Other investments consist of a USD 5.4 million (December 31, 2021: USD 5.4 million) investment in Beta Bionics, Inc., the developer of iLet™, a fully integrated dual-hormone pump (bionic pancreas) for autonomous diabetes care.

In determining fair value, Zealand are using valuations from third party specialists combined with considerations around the impact of any recent share capital issuances by Beta Bionics as an indicator of the fair value of the shares. In particular, Beta Bionics undertook a capital offering in June 2019 and subsequent infliction points was used as the basis for determining fair value.

Based on an updated valuation report and the development in the USD/DKK exchange rate the fair value of the investment in Beta Bionics has developed from DKK 26.9 million on December 31, 2021 to DKK 31.8 million on June 30, 2022. The gain has been recognized as finance income.

Other financial assets comprise the sales-related milestones from the divestment of V-Go. A maximum of four milestones of USD 2.5m each can be achieved under the contract based on annual sales. The fair value has been determined using the risk-adjusted net present value method using a discount rate of 10% and an estimated probability of 50% and 25% respectively to reach the first two sales-related milestones.

DKK thousand	H1 2022	H1 2021
Financial instruments categorized as level 3 in the fair value hierarchy		
Carrying amount at start of period	26,907	32,333
Instruments acquired during the period	6,573	0
Charges to profit and loss:		
Fair value adjustments	2,259	0
Exchange rate adjustments	2,826	1,094
Carrying amount at end of period	38,565	33,427

Note 10 – Capital Management

The Company's capital management objectives and policies are unchanged from the ones described in the Annual report of the Company for 2021 with the exception of the company's commercial objectives. On March 30, 2022 the company announced that it will discontinue to support commercial operations in the United States and will prioritize research and development. With the implementation of this strategy the company will cease generating revenue from the product sales of its commercial programs and will instead look to out-license, sell, or partner their commercial and late-stage assets as a way of providing for the company's near and long-term capital requirements.

At the Zealand Annual Meeting held on April 6, 2022 the shareholders granted the company the ability during the period until 15 April 2026 to raise loans against issuance of convertible debt instruments with access to conversion to shares in the Company (convertible debt instruments) of up to a total of nominally DKK 10,850,136 without pre-emption rights for existing shareholders in accordance with the adopted new Articles 8.13-8.15 of the Company's Articles of Association.

In June of 2022 the company received gross proceeds of DKK 274.8 million from a directed issue and private placement. Zealand issued a total of 2,892,368 new shares at a subscription price of DKK 95 per share.

Note 11 - Inventories

DKK thousand	June 30, 2022	December 31, 2021
Raw materials	0	35,816
Work in progress	0	29,588
Finished goods	818	53,032
Inventories	**818**	**118,436**

The development in inventories primarily relates to the divestment of all V-Go related assets and the recognized allowance as described below. For further information related to V-Go please refer to note 3.

With the March 30th, 2022, restructuring announcement an allowance for loss on Zegalogue inventory of DKK 45.6 million were recognized due to uncertainties around the future sales channels for the product. The allowance was booked under other operating expenses as a restructuring cost. The uncertainties have not been eliminated as of June 30, 2022, therefore the allowance is left unchanged.

The remaining inventory for finished goods relates the materials required to support the current Zegalogue sales projections for the rest of the year.

Note 12 - Changes in share capital

On June 1, 2022 the company issued a total of 2,892,368 new shares at a subscription price of DKK 95 per share.

The following changes have occurred in the share capital during the interim period:

	No. of shares (thousand)
Share capital at January 1, 2022	43,634
Increase due to issue of new shares	2,893
Share capital at June 30, 2022	**46,527**

Note 13 – Treasury shares

The total number of treasury shares as of June 30, 2022 is 257,234 (December 31, 2021: 418,247). Treasury shares are allocated to long term incentive compensation plans.

Note 14 – Borrowings

As further discussed in note 25 of the 2021 annual report, Zealand entered into a USD 100 million loan agreement with Oberland in December 2021.

On May 10, 2022, Zealand entered into an agreement to amend certain terms of the Oberland loan. The amendments were as follows:

- Prepayment of 50% of the principal which including a prepayment premium of 20% amounts to 60 MUSD
- Removal of the liquidity covenant meaning that Zealand has no limitations in respect of utilizing the cash held by the Group
- Carve out of proceeds from sale or entering into partnership agreements regarding V-Go and Zegalogue, so there is no obligation to repay proceeds obtained from sale of these assets
- 50% prepayment option premium irrespective of the date of prepayment
- Potential for a further $75 million incremental capital following specific events

Management considers the amendments to comprise terms which are substantially different from the term applicable prior to the amend. Consequently, the modification has been accounted for as an extinguishment of the loan subject to the original terms and recognition of a new liability.

Under the amended terms, Management estimates that fair value of the prepayment option for the remaining outstanding amount is insignificant due to the fact that release from the liquidity covenant a market participant would not benefit from prepaying the loan due to the fact that the funds are available for use for a market participant.

In Q2 DKK 144.7 million was recognised as loss on settlement of debts under financial expenses. The amount comprises utilization of the prepayment option (DKK 71.1 million), premium on settlement of debts (DKK 64.9 million) and derecognition of capitalized loan costs (DKK 8.7 million). The cash outflow from debts of DKK 417.3 million comprises the premium on settlement of debts (DKK 64.9 million) and repayment of USD 50 million (DKK 352.4 million).

Note 15 – Restructuring provision

As a consequence of the Group's decision to exit the US sales activities, a significant restructuring has been made on March 30, 2022. A restructuring provision was made for all termination benefits expected to be paid related to the restructuring.

Other direct costs attributable to the restructuring, including costs incurred in relation to revaluation of inventories and reversal of costs related to share-based incentive programs, are DKK 31.7 million. These costs were fully provided for in Q1.

DKK thousand	June 30, 2022	December 31, 2021
Restructuring provision		
Carrying amount at start of year	0	0
Charges to profit and loss:		
Additional provision recognized	44,129	0
Unused amounts reversed	0	0
Amounts used in period	-32,689	0
Carrying amount at period end	11,440	0

Note 16 - Contingent assets, liabilities, other contractual obligations and collateral provided

Contingent assets

As of June 30, 2022, Zealand is still eligible for a payment from Sanofi of up to USD 10.0 million which is expected in 2023. However, it is Management's opinion that the amount of any payment cannot be determined on a sufficiently reliable basis, and therefore the company has not recognized an asset in the statement of financial position of the Group.

Contingent liabilities and contractual obligations

As of June 30, 2022, total contractual obligations related to agreements with CRO's and CMO's amounted to DKK 306.6 million (DKK 133.4 million for 2022 and DKK 173.2 million for the years 2023 up to and including 2026).

Zealand may be required to pay future development, regulatory and commercial milestones related to the acquisition of Encycle Therapeutics. Refer to note 13 in the Annual Report 2021.

Collateral provided

The Group has provided floating charge collateral with all assets which can be collateralized including shares in subsidiaries.

Note 17 - Significant events after the reporting period

Voluntary delisting of American Depositary Shares

On August 8, 2022 Zealand Announced its intention to voluntary delist their American Depositary Shares from the U.S.-Based Nasdaq.

The ADS delisting will have no impact on the company's accounting standards, and Zealand will continue its high level of disclosure in compliance with applicable financial market regulations. The decision will have no direct impact on the shares listed on the Copenhagen Nasdaq (ZEAL).